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SUBJECT: FISCAL TRANSPARENCY IN GEORGIA

REF: STATE 16737

¶1. (U) Pursuant to reftel request, Embassy Tbilisi submits the following update of information on fiscal transparency in Georgia.

¶2. (SBU) Fiscal transparency in Georgia is much improved since the Rose Revolution in 2004. The Law on Budgetary Systems (December 29, 2004, as amended) specifies in detail how the government's budget is prepared, passed by the Parliament and administered by the Ministry of Finance. Article 4 of the law requires all aspects of the process, except classified information, to be open to the public and the press. In practice, draft budgets under consideration by Parliament and the final budget are available to the public on the Internet website of the Ministry of Finance and in the official register, the Legislative Messenger. Parliamentary debates on the annual budget and occasional supplementary budgets, as well as the terms of the resulting budget law, are widely reported in the local media. The state budget includes all known revenues and expenditures of the central government, including those of special presidential funds for emergencies. Before 2007, these funds had been extra-budgetary and had raised questions about their transparency. The budget figures are generally considered meaningful and accurate. The 2006 Open Budget Index prepared by the International Budget Project (IBP) found that all the budget documents it deemed important are available except for a "citizen's budget". However, beginning in 2006, the Government has prepared an annual "citizen's guide" to the budget and to government spending priorities, expressed in layman's terms. The IBP report faults Georgia for the amount of information supplied in the documents, but its conclusions are based on data from 2005 and earlier and do not include later developments. Ministries and other government agencies provide significant but varying amounts of detail to the public about the main directions and priorities of their spending. Ministry of Defense and Ministry of Interior budgets are more transparent than in the past. Clear rules have been adopted to govern transfers from the central government to municipalities and are in the process of being implemented. The U.S. Treasury Department funds a U.S. citizen resident advisor in the Ministry of Finance who provides advice that assists in ensuring transparency of the budget. Georgia has reported to the IMF on its compliance with standards and codes covering fiscal transparency, but those reports are significantly out of date and refer to periods prior to the 2004 change of government.

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